

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6863**

**BILL NUMBER:** HB 1395

**NOTE PREPARED:** Jan 11, 2009

**BILL AMENDED:**

**SUBJECT:** Funding of Property Tax Assessors.

**FIRST AUTHOR:** Rep. DeLaney

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill shifts responsibility for funding:

- (1) the salary and operations of the county assessor from the county to the Department of Local Government Finance (DLGF); and
- (2) the salary of the township assessor and the assessor's employees from the county to the township.

The bill eliminates the county property reassessment fund and transfers the balance to the county general fund.

It requires the township to fund its share of a county appraisal services contract for property tax assessments. It also requires the DLGF to adjust county and township maximum permissible property tax levies to account for the shifts in responsibility for funding.

The bill also provides that notice of the time and place for receiving bids for assessment contracts must be given on the web site maintained by the DLGF.

**Effective Date:** Upon passage; July 1, 2009; January 1, 2010.

**Explanation of State Expenditures:** *Department of Local Government Finance (DLGF):* Each year in August, each county assessor would prepare an itemized estimate of the amount required for operation of the office in the following calendar year. The amount would be paid by the DLGF through its budget. In addition, the DLGF will pay through its budget \$1,000 for each county assessor and \$500 for each deputy county assessor who has attained Level Two or Level Three certification.

Assuming past rates of growth continue, 2009 county general fund budgets for assessing are estimated at \$48.0 M. Township assessors in townships with less than 15,000 parcels were absorbed by the county assessor under legislation passed in 2008. Forty-three townships have parcels in excess of 15,000, and in the November general election, 13 of those township assessors were retained in office. The total 2009 county general fund budget for the 13 townships that retained their assessors is estimated at \$3.6 M, which, under the bill, would transfer to the townships' budgets and not to the state. The net amount of cost transferred to the state is estimated at \$44.4 M.

(*Note:* The analysis does not account for any efficiencies that may have been created through the consolidation of the township assessing duties into the county assessor function.)

Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

*Background* - Under current law, the county fiscal body fixes the compensation for each county employee. There are no current data available to indicate the amount paid by the counties for the assessing function.

However, local units were required to submit this information through 2005. In 2005, county assessor budgets from the county general fund were \$12.7 M and township assessor budgets were \$28.4 M. On average between 1996 and 2005, budgets for county assessor offices increased 4.4% and township assessor budgets increased 3.8%, including years of increasing and decreasing budgets. Assuming these rates of growth continue, 2009 county general fund budgets for assessing are estimated at \$48.0 M.

Township assessors in townships with less than 15,000 parcels were absorbed by the county assessor under legislation passed in 2008. Forty-three townships have parcels in excess of 15,000, and in the November general election, 13 of those township assessors were retained in office. The total 2009 county general fund budget for the 13 townships that retained their assessors is estimated at \$3.6 M, which, under the bill, would transfer to the townships' budgets and not to the state. The net amount of cost transferred to the state is estimated at \$44.4 M.

On December 8, 2008, the DLGF had 10 vacant positions with a combined salary of \$355,000. In FY 2008, the DLGF reverted \$346,500 to the state General Fund. The appropriation for the DLGF for both FY 2008 and 2009 was \$5.6 M

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** *County Government:* The bill would eliminate county assessor office expense from county budgets by transferring costs to the DLGF, or, for township assessor costs, to townships that retain assessors. The impact on county budgets will vary by county, but the statewide impact is estimated at \$48.0 M. (See *Explanation of State Expenditures - Background* section above.)

Also, county property reassessment funds are eliminated, with the balance of the fund transferring to the county general fund. Any general reassessment of real property required after 2010 will be paid from the county general fund without appropriation. The 2007 appropriation from the county reassessment fund was \$31.1 M and is growing at about 11% per year. The 2009 appropriation is estimated at \$38.0 M.

*Township Government:* Township assessor costs would transfer from the county to the township. Thirteen

townships are affected, and, in total, would add an estimated \$3.6 M to these townships' budgets. The costs to be assumed by the township would include assessment salaries and the townships' shares of county appraisal services contracts.

*Additional Information -*

Budget appropriations from county property reassessment funds statewide were \$31.1 M in 2007. Revenue to the county reassessment fund results from property taxes levied by the county for the fund, an amount equal to the annualized cost of the five-year assessment of property.

In 2008, townships with more than 15,000 parcels retained township assessors, leaving 43 of 1,008 townships with a township assessor. During the 2008 general election, 13 of the 43 township assessors were retained by voters. These townships and the estimated 2008 budget for township assessment salaries are presented in the table below.

County	Township	Estimated 2008 Budgets for Township Assessment Salaries*
Allen	Wayne	\$100,000
Elkhart	Concord	330,000
Howard	Center	2,500
Lake	Calumet	1,325,000
Lake	Center	242,000
Lake	Hobart	327,000
Lake	Ross	360,000
Lake	St. John	433,000
LaPorte	Michigan	24,000
Porter	Portage	93,000
St. Joseph	Penn	20,000
Vigo	Harrison	313,000
Wayne	Wayne	65,000
		<b>Total: \$3,634,500</b>
* Budget estimates do not include townships' portions of county assessment contracts		

**Explanation of Local Revenues:**

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** Counties and townships with property tax assessors.

**Information Sources:** DLGF, *Township Assessor Referendum Results*; Local Government Database.

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